

## Message Text

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ACTION ARA-10

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SUBJ: TRIBUNE ARTICLE ON TAX TREATY

REF: TAYLOR/THYDEN TELCON SEP 17, 1976

FOLLOWING ARTICLE BE IVAN JOHNSON APPEARED IN FRIDAY  
EVANING TRIBUNE UNDER HEADLINE, "PINDLING SPARKED TAX  
TREATY DRAFT".

QUOTE

A US-BAHAMIAN TAX TREATY DOCUMENT HAS BEEN DRAFTED BY  
WASHINGTON TREASURY DEPARTMENT AUTHORITIES BECAUSE OF A SPEECH  
MADE BY PRIME MINISTER PINDLING IN CHICAGO IN WHICH US TAX  
OFFICIALS CLAIM HE SAID THE BAHAMAS IS NOT A TAX HAVEN, AND HE  
ASKED THE US TO APPROACH HIS GOVERNMENT WITH TREATY TERMS.

THIS WAS REVEALED YESTERDAY BY DAVID FOSTER, THE US TREASURY  
DEPARTMENT COUNSEL, IN A TELEPHONE INTERVIEW WITH THE TRIBUNE  
FROM HIS WASHINGTON, DC OFFICE.

FOSTER'S STATEMENT FOLLOWS A LOS ANGELES TIMES STORY MONDAY IN  
WHICH HE WAS QUOTED AS SAYING "THE BAHAMAS SEEMS ANXIOUS TO  
AVOID ITS TAX HAVEN REPUTATION." THE STORY SAID TALKS HAD BEGUN  
BETWEEN THE BAHAMAS AND US AUTHORITIES TOWARDS A POSSIBLE TAX  
TREATY HASTENING THE END OF THE BAHAMAS' OFF-SHORE TAX HAVEN  
STATUS, IF ADOPTED.

BAHAMAIN OFFICIALS DENIED ANY KNOWLEDGE OF THE TALKS BUT A  
WASHINGTON SOURCE HAS SINCE TOLD THE TRIBUNE BAHAMIAN US AMBASSADOR,  
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SEYMOUR WEISS, HAS BEEN IN TAX TREATY TALKS WITH US AUTHORITIES

IN WASHINGTON IN RECENT WEEKS, AS THE INTERMEDIARY WITH THE BAHAMIAN GOVERNMENT.

FOSTER SAID MR. PINDLING'S SPEECH IN CHICAGO GOT HIM AND OTHER US TAX AUTHORITIES THINKING TOWARDS A POSSIBLE TAX TREATY. HE SAID, IN THEIR INTERPRETATION, MR. PINDLING SAID THE BAHAMAS WAS NOT A TAX HAVEN, AND A POSSIBLE TAX AGREEMENT COULD BE WORKED OUT IF US AUTHORITIES APPROACHED HIS GOVERNMENT. "THIS WHOLE THING GOES BACK TO PINDLING'S SPEECH," HE SAID.

THIS IS THE PART OF MR. PINDLING'S SPEECH WHICH FOSTER SAYS CAUSED US TAX AUTHORITIES TO DRAFT A TAX TREATY. THE SPEECH WAS DELIVERED AT A DINNER MEETING OF THE MID-AMERICA COMMITTEE IN CHICAGO ON FEBRUARY 11.

"IT HAS BEEN ALLEGED THAT THE BAHAMAS COURTS ILLEGAL MONEY, ENCOURAGES TAX DODGERS, HARBOURS SECRET NUMBERED BANK ACCOUNTS, HAS REFUSED TO ENTER INTO A TAX TREATY WITH THE UNITED STATES AND HAS REFUSED TO ASSIST THE US IN ITS EFFORTS TO TRACK DOWN TAX DODGERS ... I CAN SAY THAT NONE OF THIS IS TRUE.

"FIRST OF ALL, WE DO NOT RECALL EVER BEING APPROACHED BY THE GOVERNMENT OF THE US OF AMERICA ON THE SUBJECT OF A TAX TREATY. NOR DO WE RECALL BEING ASKED TO HELP THE US IN ITS EFFORTS TO TRACK DOWN TAX DODGERS."

FOSTER SAID, "IN THE FIRST PART PINDLING DESCRIBED A TAX HAVEN AND THEN SAID THE BAHAMAS IS NOT ONE. THEN IN THE SECOND PART WE FELT HE WAS SAYING YOU HAVEN'T ASKED US ABOUT A TAX TREATY, SO WE THOUGHT WE'D ASK HIM. AND THAT'S WHY I MADE THAT STATEMENT TO THE LOS ANGELES TIMES.

"SO WE DRAFTED A TAX TREATY WHICH WE'RE STILL WORKING ON. WE KNEW THE IMMEDIATE ANSWER WOULD BE NO BECAUSE THE BAHAMAS DOESN'T HAVE A TAX SYSTEM. SO ON THE FACE OF IT THE BAHAMAS WOULD HAVE NOTHING TO GIVE TO US AND WE WOULD HAVE NOTHING TO GIVE TO IT.

"THE SPEECH GOT US WORKING ON ALL THESE THINGS. IF THE BAHAMAS ACCOUNTS ARE LEGITIMATE AS PINDLING SAID IN HIS SPEECH, THEN WHAT'S THE PROBLEM, HE'S GOT NOTHING TO HIDE. BUT IF HIS GOVERNMENT WON'T DECIDE ON ANY AGREEMENTS, THEN THE TAX HAVEN ACTIVITIES MUST BE ILLEGAL.

"JUST BECAUSE THE BAHAMAS BANK SECRECY ACT MAKES BAHAMIAN ACCOUNTS LEGAL IN THE BAHAMAS IT DOESN'T MEAN TO SAY THAT ALL THE MONEY IN THEM WAS GAINED LEGITIMATELY OR NOT PUT THERE FOR TAX EVASION PURPOSES, WHICH IS ILLEGAL IN THE UNITED STATES."

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"AFTER ALL IF I MURDER SOMEONE IN AMERICA AND THEN GO TO A COUNTRY WHERE MURDER IS NOT A CRIME, DOES THAT MEAN I'M NOT A MURDERER?" HE SAID.

ASKED IF HE HAD TALKED TO BAHAMIAN US AMBASSADOR, SEYMOUR WEISS, REGARDING A US-BAHAMIAN TAX TREATY HE SAID, "I KNOW WEISS IS UP HERE AT THE MOMENT ON HOLIDAY. THERE MIGHT BE SOME TALKS GOING ON, I DON'T KNOW, BUT THIS THING IS IN VERY PRELIMINARY STATES.

"AT THIS STAGE HE WOULD TALK TO THE STATE DEPARTMENT AND IF THINGS GO SERIOUS THEN HE WOULD COME AND TALK WITH ME BECAUSE I'M RESPONSIBLE FOR DRAFTING US TAX TREATIES WITH OTHER COUNTRIES," HE SAID.

RUSH TAYLOR, US DEPUTY AMBASSADOR, IN THE BAHAMAS WOULD NOT COMMENT ON THE MATTER.

MONDAY'S LOS ANGELES TIMES STORY, WRITTEN BY ROBERT JACKSON, OF THE PAPERS WASHINGTON BUREAU QUOTED OTHER TAX INVESTIGATORS AS SAYING THE BAHAMAS INTENDS TO SIGN A "COSMETIC" AGREEMENT GIVING THE APPEARANCE OF COOPERATION BUT KEEPING INTACT THE BAHAMAS' TAX HAVEN STATUS.

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WEISS

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